

Growing demand from investors for medical centres

Robyn Ironside, January 25, 2018, The Australian

A flourishing healthcare property fund has added three medical centres worth \$22 million to its portfolio.

The acquisition of Eastbrooke Medical Centre at Carlton, south of Sydney; Vasse Medical Centre at Busselton in Western Australia and a brand new medical development in Perth's northern suburbs, takes to 13 the number of assets Barwon owns.

The portfolio is valued at \$114m and includes properties in every mainland state, housing general practitioners, dentists, radiologists and community care services.

Barwon partner Robert Morrison said medical centres represented a "low risk sector of the property market" due to their long term leases of seven to 15 years, quality tenants and good revenue streams.

"The healthcare sector is becoming of increasing interest to investment and super funds, because people recognise that healthcare is one of the fastest growing sectors of the Australian economy," Mr Morrison said.

"Healthcare is now 10 per cent of the GDP and because of the ageing population we're going to see more demand for better healthcare properties."

He said rents from the properties coming into Barwon were distributed out to wholesale investors quarterly, with reinvestment in the properties to improve the quality of the buildings and upgrade the services.

"We're not only buying existing properties, we're also working with developers to be a capital partner and to be able to develop properties in and around healthcare hubs," Mr Morrison said.

"We see our role as an important funding source in the growth of the Australian healthcare system. What I think we'll find in coming years, is property health funds like ours will play an increasing role in developing and owning healthcare facilities across Australia."

The Barwon Healthcare Property Fund opened for investment periodically as new properties were secured, and forecast regular distribution yields per annum of 7-7.5 per cent.

Although there was currently only a small number of property fund managers working in the healthcare sector, Mr Morrison expected that would increase as investors understood the returns.

"It follows a trend in the United States, where superannuation funds in particular are very actively investing into healthcare property," he said.

"We're likely to see more investment from super funds in coming years."